

Dunkerton Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2008

Table of Contents

Officials		<u>Page</u>
		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	12
Statement of Activities	B	13-14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	20
Statement of Cash Flows-School Nutrition Fund	I	21
Statement of Cash Flows-Building Trades Class-House	J	22
Statement of Cash Flows – Latch Key	K	23
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	L	24
Statement of Changes in Fiduciary Net Assets	M	25
Notes to Financial Statements		26-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements And Changes in Balances-Budget and Actual-All Governmental Funds and Proprietary Funds		35
Notes to Required Supplementary Information- Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Non-major Special Revenue Funds:		
Combining Balance Sheet	1	37
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances	2	38
Schedule of Changes in Special Revenue Fund-Student Activity Accounts	3	39-40
Schedule of Revenues by Source and Expenditures by Function- All Governmental Funds	4	41
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		42-43
Schedule of Findings		44-46

Dunkerton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2007 Election)

Mark Brandes	President	2007
Jerry Sires	Vice President	2008
Joe Stafford	Board Member	2008
Alan Nagel	Board Member	2009
Tony Gamerdinger	Board Member	2009

Board of Education

(After September 2007 Election)

Mark Brandes	President	2010
Jerry Sires	Vice President	2008
Joe Stafford	Board Member	2008
Alan Nagel	Board Member	2009
Tony Gamerdinger	Board Member	2009

School Officials

Robert Cue	Superintendent	2008
Beth Weepie	District Secretary /Treasurer	2008
Wayne Sauer	Attorney	2008

Independent Auditor's Report

To the Board of Education of
Dunkerton Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District, Dunkerton, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.


I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 5, 2009 on my consideration of Dunkerton Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dunkerton Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

February 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dunkerton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,111,881 in fiscal 2007 to \$4,081,248 in fiscal 2008, while General Fund expenditures increased from \$3,848,905 in fiscal 2007 to \$4,219,837 in fiscal 2008. The District's General Fund balance decreased from \$937,102 in fiscal year 2007 to \$791,013 in fiscal year 2008, a 16% decrease.
- The decrease in General Fund revenues was attributable to an decrease in local sources and federal grant revenue in fiscal year 2008.
- The District's solvency ratio has decreased from 22.8% at June 30, 2007 to 19% at June 30, 2008. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Dunkerton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dunkerton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dunkerton Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Dunkerton Community School District Annual Financial Report

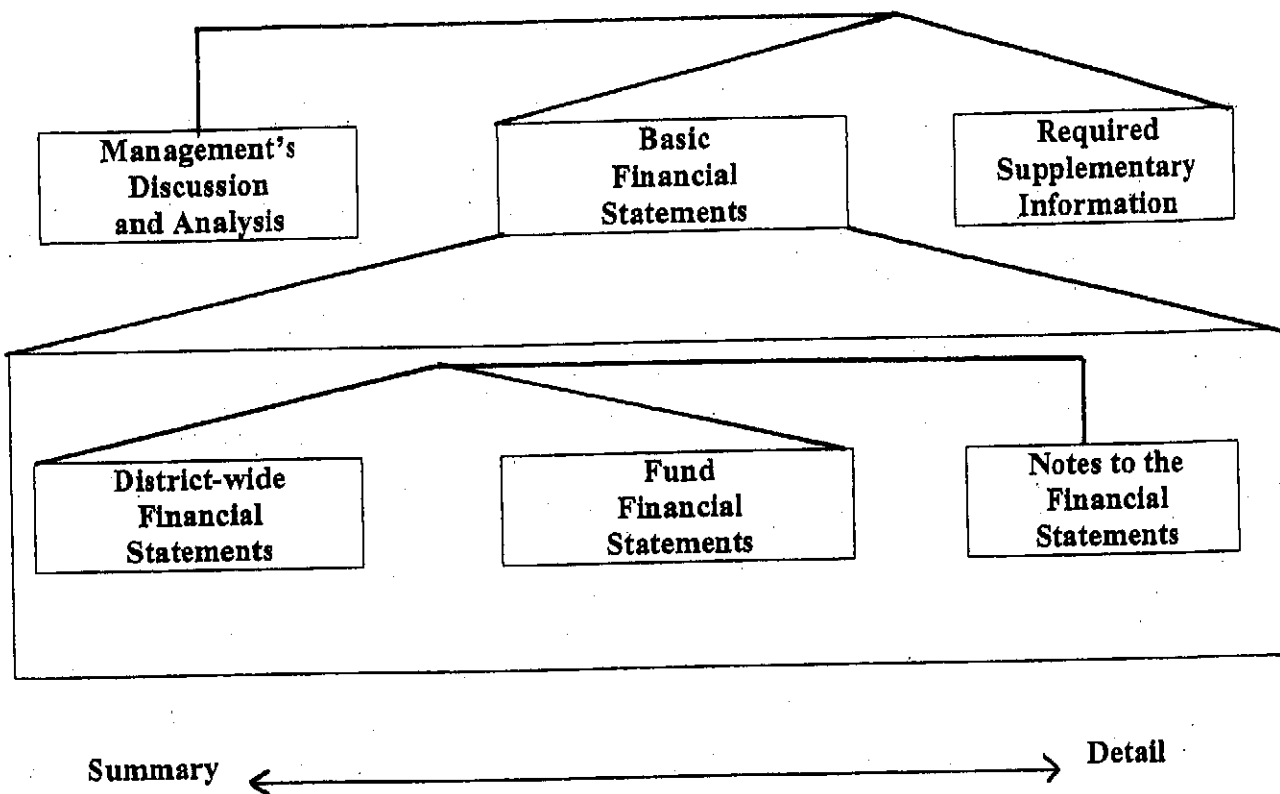


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program, building trades class – house fund and Latch Key are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds, the School Nutrition Fund, Latch Key and Building Trades Class-House Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include a Trust Fund.

- Trust Fund – The District accounts for outside donations for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$2,884,947	\$3,717,399	\$118,318	\$124,955	\$3,003,265	\$3,842,354	-\$839,089
Capital assets	3,899,323	3,964,245	39,048	47,681	3,938,371	4,011,926	-73,555
Total assets	\$6,784,270	\$7,681,644	\$157,366	\$172,636	\$6,941,636	\$7,854,280	-\$912,644
Long-term liabilities	\$325,000	\$925,000	\$-	\$-	\$325,000	\$925,000	-\$600,000
Other liabilities	1,481,718	2,219,463	31,720	29,582	1,513,438	2,249,045	-735,607
Total liabilities	\$1,806,718	\$3,144,463	\$31,720	\$29,582	\$1,838,438	\$3,174,045	-\$1,335,607
Net assets:							
Invested in capital assets, net of related debt	\$3,574,323	\$3,039,245	\$39,048	\$47,681	\$3,613,371	\$3,086,926	\$526,445
Restricted	87,254	338,874	-	-	87,254	338,874	-251,620
Unrestricted	1,315,975	1,159,062	86,598	95,373	1,402,573	1,254,435	148,138
Total net assets	\$4,977,552	\$4,537,181	\$125,646	\$143,054	\$5,103,198	\$4,680,235	\$422,963

The District's combined net assets increased by nearly 8%, or \$422,963, over the prior year. The largest portion of the District's net assets is the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$251,620, or 74% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$148,138, or 11%.

Figure A-4 shows the change in net assets for the year ended June 30, 2008.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$347,655	\$119,180	\$466,835
Operating grants, contributions and restricted interest	622,854	85,890	708,744
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,563,544	-	1,563,544
Local options sales and service tax	506,897	-	506,897
Unrestricted state grants	1,904,566	-	1,904,566
Unrestricted investment earnings	85,640	1,529	87,169
Other	32,717	-	32,717
Total revenues	\$5,063,873	\$206,599	\$5,270,472
Program expenses:			
Governmental activities:			
Instruction	\$3,045,654	\$876	\$3,046,530
Support services	1,361,600	-	1,361,600
Non-instructional programs	-	223,131	223,131
Other expenses	216,248	-	216,248
Total expenses	\$4,623,502	\$224,007	\$4,847,509
Change in net assets	\$440,371	-\$17,408	\$422,963

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,063,873 and expenses were \$4,623,502. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,045,654	\$2,088,830
Support services	1,361,600	1,347,915
Non-instructional programs	-	-
Other expenses	216,248	216,248
Totals	\$4,623,502	\$3,652,993

- The cost financed by users of the District's programs was \$466,835.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$708,744.
- The net cost of governmental activities was financed with \$2,070,441 in property and other taxes and \$1,904,566 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$206,599 and expenses were \$224,007. The District's business type activities include the School Nutrition, Latch Key and Building Trades Class-House Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Dunkerton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,977,552, well above last year's ending fund balances of \$4,537,181.

Governmental Fund Highlights

- The General Fund balance decreased from \$937,102 to \$791,013, due in part to the decrease in local and federal grants.

BUDGETARY HIGHLIGHTS

The District's receipts were \$4,764 less than budgeted receipts, a variance of .1%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$3,938,371, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$165,732.

The original cost of the District's capital assets was \$8,993,457. Governmental funds account for \$8,889,852, with the remainder of \$103,605 accounted for in the Proprietary, School Nutrition Fund and Building Trades Class-House Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$10,000	\$10,000	\$-	\$-	\$10,000	\$10,000	\$-
Construction in process	-	44,596	-	-	-	44,596	-44,596
Buildings	3,545,989	3,627,440	-	-	3,545,989	3,627,440	-81,451
Improvements other than buildings	84,965	16,146	-	-	84,965	16,146	68,819
Furniture and equipment	258,369	266,063	39,048	47,681	297,417	313,744	-16,327
Totals	\$3,899,323	\$3,964,245	\$39,048	\$47,681	\$3,938,371	\$4,011,926	-\$73,555

Long-Term Debt

At June 30, 2008, the District had \$325,000 in revenue bonds. This represents a decrease of 46% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-2008
Revenue bonds	\$325,000	\$925,000	-\$600,000

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beth Weepie, District Secretary/Treasurer, Dunkerton Community School District, 509 S. Canfield, Dunkerton IA 50626.

Basic Financial Statements

Dunkerton Community School District

Statement of Net Assets

June 30, 2008

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
Other	\$ 1,315,867	\$ 111,571	\$ 1,427,438
Receivables:			
Property tax:			
Delinquent	16,970	-	16,970
Succeeding year	1,434,063	-	1,434,063
Accounts	63,954	459	64,413
Accrued interest ISCAP	2,422	-	2,422
Due from other funds	29,406	-	29,406
Due from other governments	22,265	-	22,265
Inventories	-	6,288	6,288
Capital assets, net of accumulated depreciation	3,899,323	39,048	3,938,371
Total Assets	\$ 6,784,270	\$ 157,366	\$ 6,941,636
Liabilities			
Accounts payable	\$ 44,681	\$ -	\$ 44,681
Due to other funds	-	29,406	29,406
Accrued interest payable	2,974	-	2,974
Deferred revenue-succeeding year property tax	1,434,063	-	1,434,063
Other deferred	-	2,314	2,314
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	325,000	-	325,000
Total Liabilities	\$ 1,806,718	\$ 31,720	\$ 1,838,438
Net Assets			
Invested in capital assets, net of related debt	\$ 3,574,323	\$ 39,048	\$ 3,613,371
Restricted	87,254	-	87,254
Unrestricted	1,315,975	86,598	1,402,573
Total Net Assets	\$ 4,977,552	\$ 125,646	\$ 5,103,198

Dunkerton Community School District

Statement of Activities

Year Ended June 30, 2008

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,094,125	\$ 158,330	\$ 537,840	\$ -
Special instruction	458,546	54,499	63,554	-
Other instruction	492,983	133,288	9,313	-
	<u>\$ 3,045,654</u>	<u>\$ 346,117</u>	<u>\$ 610,707</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 109,809	\$ -	\$ 3,388	\$ -
Instructional staff services	125,191	-	-	-
Administration services	498,333	-	-	-
Operation and maintenance of plant services	432,689	1,538	-	-
Transportation services	195,578	-	8,759	-
	<u>\$ 1,361,600</u>	<u>\$ 1,538</u>	<u>\$ 12,147</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 4,453	\$ -	\$ -	\$ -
Long-term debt interest	42,589	-	-	-
AEA flow-through	169,206	-	-	-
	<u>\$ 216,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 4,623,502</u>	<u>\$ 347,655</u>	<u>\$ 622,854</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 216,597	\$ 109,358	\$ 85,890	\$ -
Latch key	6,534	4,822	-	-
Instructional Programs:				
Other Instruction:				
Building Trades Class-House	\$ 876	\$ 5,000	\$ -	\$ -
	<u>\$ 224,007</u>	<u>\$ 119,180</u>	<u>\$ 85,890</u>	<u>\$ -</u>
Total	<u>\$ 4,847,509</u>	<u>\$ 466,835</u>	<u>\$ 708,744</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	-1,397,955	\$ -	\$ -1,397,955
	-340,493	-	-340,493
	-350,382	-	-350,382
\$	-2,088,830	\$ -	\$ -2,088,830
\$	-106,421	\$ -	\$ -106,421
	-125,191	-	-125,191
	-498,333	-	-498,333
	-431,151	-	-431,151
	-186,819	-	-186,819
\$	-1,347,915	\$ -	\$ -1,347,915
\$	-4,453	\$ -	\$ -4,453
	-42,589	-	-42,589
	-169,206	-	-169,206
\$	-216,248	\$ -	\$ -216,248
\$	-3,652,993	\$ -	\$ -3,652,993
\$	-	\$ -21,349	\$ -21,349
	-	-1,712	-1,712
	-	4,124	4,124
\$	-	\$ -18,937	\$ -18,937
\$	-3,652,993	\$ -18,937	\$ -3,671,930

Dunkerton Community School District

Statement of Activities

Year Ended June 30, 2008

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

General Revenues:

Property Tax Levied For:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets

Net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	1,409,477	\$ -	\$ 1,409,477
	53,297	-	53,297
	100,770	-	100,770
	506,897	-	506,897
	1,904,566	-	1,904,566
	85,640	1,529	87,169
	32,717	-	32,717
\$	4,093,364	\$ 1,529	\$ 4,094,893
\$	440,371	\$ -17,408	\$ 422,963
	4,537,181	143,054	4,680,235
\$	4,977,552	\$ 125,646	\$ 5,103,198

Dunkerton Community School District

**Balance Sheet
Governmental Funds**

June 30, 2008

	General	Debt Service	Capital Projects
Assets			
Cash and Pooled Investments:			
Other	\$ 769,152	\$ 71,323	\$ 266,931
Receivables:			
Property Tax:			
Delinquent	13,197	629	-
Succeeding year	1,114,652	53,242	-
Accounts	25,651	-	38,303
Accrued interest ISCAP	2,422	-	-
Due from other funds	1,712	-	27,694
Due from other governments	22,265	-	-
Total Assets	\$ 1,949,051	\$ 125,194	\$ 332,928
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 43,386	\$ -	\$ -
Due to other funds	-	-	-
Deferred Revenue:			
Succeeding year property tax	1,114,652	53,242	-
Total Liabilities	\$ 1,158,038	\$ 53,242	\$ -
Fund Balances:			
Reserved	\$ 15,302	\$ 71,952	\$ -
Unreserved	775,711	-	332,928
Total Fund Balances	\$ 791,013	\$ 71,952	\$ 332,928
Total Liabilities and Fund Balances	\$ 1,949,051	\$ 125,194	\$ 332,928

See notes to financial statements.

Non-Major Special Revenue		Total
\$	208,461	\$ 1,315,867
	3,144	16,970
	266,169	1,434,063
	-	63,954
	-	2,422
	-	29,406
	-	22,265
\$	477,774	\$ 2,884,947
\$	1,295	\$ 44,681
	-	-
	266,169	1,434,063
\$	267,464	\$ 1,478,744
\$	-	\$ 87,254
	210,310	1,318,949
\$	210,310	\$ 1,406,203
\$	477,774	\$ 2,884,947

Dunkerton Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,406,203
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	3,899,323
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-2,974
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	-325,000
Net assets of governmental activities (page 12)	<u>\$ 4,977,552</u>

Dunkerton Community School District

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2008

	General	Debt Service	Capital Projects
Revenues:			
Local Sources:			
Local tax	\$ 1,243,806	\$ 53,297	\$ 506,897
Tuition	201,595	-	-
Other	108,748	10,170	385
Intermediate sources	-	-	-
State sources	2,372,503	54	-
Federal sources	154,596	-	-
Total Revenues	<u>\$ 4,081,248</u>	<u>\$ 63,521</u>	<u>\$ 507,282</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 1,949,519	\$ -	\$ -
Special instruction	448,878	-	-
Other instruction	375,077	-	-
	<u>\$ 2,773,474</u>	<u>\$ -</u>	<u>\$ -</u>
Support Services:			
Student services	\$ 109,809	\$ -	\$ -
Instructional staff services	125,191	-	-
Administration services	495,673	-	-
Operation and maintenance of plant services	394,290	-	-
Transportation services	152,194	-	-
	<u>\$ 1,277,157</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:			
Long-Term Debt:			
Facilities acquisition	\$ -	\$ -	\$ -
Principal	-	1,090,000	-
Interest, fiscal charges and fees	-	51,575	-
AEA flow-through	169,206	-	-
	<u>\$ 169,206</u>	<u>\$ 1,141,575</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 4,219,837</u>	<u>\$ 1,141,575</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -138,589</u>	<u>\$ -1,078,054</u>	<u>\$ 507,282</u>
Other Financing Sources (Uses):			
Issuance of bonds	\$ -	\$ -	\$ 490,000
Operating transfers in	-	811,132	-
Operating transfers out	-7,500	-	-811,132
Total Other Financing Sources (Uses)	<u>\$ -7,500</u>	<u>\$ 811,132</u>	<u>\$ -321,132</u>
Net change in fund balances	\$ -146,089	\$ -266,922	\$ 186,150
Fund balances beginning of year	937,102	338,874	146,778
Fund Balances End of Year	<u>\$ 791,013</u>	<u>\$ 71,952</u>	<u>\$ 332,928</u>

See notes to financial statements.

Non-Major Special Revenue		Total
\$	266,441	\$ 2,070,441
	-	201,595
	145,114	264,417
	-	-
	267	2,372,824
	-	154,596
\$	411,822	\$ 5,063,873

\$	39,955	\$ 1,989,474
	-	448,878
	117,906	492,983
\$	157,861	\$ 2,931,335

\$	-	\$ 109,809
	-	125,191
	-	495,673
	88,506	482,796
	45,334	197,528
\$	133,840	\$ 1,410,997

\$	4,453	\$ 4,453
	-	1,090,000
	-	51,575
	-	169,206
\$	4,453	\$ 1,315,234
\$	296,154	\$ 5,657,566

\$	115,668	\$ -593,693
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\$	-	\$ 490,000
	7,500	818,632
	-	-818,632
\$	7,500	\$ 490,000

\$	123,168	\$ -103,693
	87,142	1,509,896

\$	210,310	\$ 1,406,203
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Dunkerton Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2008

Net change in fund balances – total governmental funds (page 17) \$ -103,693

***Amounts reported for governmental activities in the Statement of Activities are
different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 92,176	
Depreciation expense	<u>-157,098</u>	-64,922

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ -490,000	
Repaid	<u>1,090,000</u>	600,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

8,986

Change in Net Assets of Governmental Activities (page 14) \$ 440,371

Dunkerton Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2008

	School Nutrition	Latch Key	Building Trades Class- House	Total
Assets				
Cash and cash equivalents	\$ 37,427	\$ -	\$ 74,144	\$ 111,571
Accounts receivable	459	-	-	459
Inventories	6,288	-	-	6,288
Capital assets, net of accumulated depreciation	39,048	-	-	39,048
Total Assets	\$ 83,222	\$ -	\$ 74,144	\$ 157,366
Liabilities				
Inter-fund payable	\$ 27,694	\$ 1,712	\$ -	\$ 29,406
Deferred revenue	2,314	-	-	2,314
Total Liabilities	\$ 30,008	\$ 1,712	\$ -	\$ 31,720
Net Assets				
Invested in capital assets, net of related debt	\$ 39,048	\$ -	\$ -	\$ 39,048
Unrestricted	14,166	-1,712	74,144	86,598
Total Net Assets	\$ 53,214	\$ -1,712	\$ 74,144	\$ 125,646

Dunkerton Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2008

	School Nutrition	Latch Key	Building Trades Class- House	Total
Operating revenues:				
Local sources:				
Charges for service	\$ 109,358	\$ 4,822	\$ 5,000	\$ 119,180
Operating expenses:				
Instruction:				
Other instruction:				
Purchased services	\$ -	\$ -	\$ 300	\$ 300
Supplies	-	-	576	576
	\$ -	\$ -	\$ 876	\$ 876
Non-instructional programs:				
Food service and community service operations:				
Salaries	\$ 75,113	\$ 5,829	\$ -	\$ 80,942
Benefits	10,188	572	-	10,760
Purchased services	2,279	-	-	2,279
Supplies	120,383	133	-	120,516
Depreciation	8,634	-	-	8,634
Total operating expenses	\$ 216,597	\$ 6,534	\$ -	\$ 223,131
Operating income (loss)	\$ -107,239	\$ -1,712	\$ 4,124	\$ -104,827
Non-operating revenues:				
State sources	\$ 2,377	\$ -	\$ -	\$ 2,377
Federal sources	83,513	-	-	83,513
Interest income	1,529	-	-	1,529
Total non-operating revenues	\$ 87,419	\$ -	\$ -	\$ 87,419
Change in net assets	\$ -19,820	\$ -1,712	\$ 4,124	\$ -17,408
Net assets beginning of year	73,034	-	70,020	143,054
Net Assets End of Year	\$ 53,214	\$ -1,712	\$ 74,144	\$ 125,646

Dunkerton Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 109,704
Cash paid to employees for services	-85,302
Cash paid to suppliers for goods or services	-109,666
Net cash used by operating activities	<u>\$ -85,264</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,377
Federal grants received	71,989
Net cash provided by non-capital financing activities	<u>\$ 74,366</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 1,529</u>
Net decrease in cash and cash equivalents	\$ -9,369
Cash and cash equivalents beginning of year	<u>46,796</u>
Cash and Cash Equivalents End of Year	<u>\$ 37,427</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -107,239
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	11,281
Depreciation	8,634
Decrease in inventories	1,715
(Increase) in accounts receivable	-80
Increase in deferred revenue	<u>425</u>
Net Cash Used by Operating Activities	<u>\$ 85,264</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$11,281 of federal commodities.

Dunkerton Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2008

	Building Trades Class- House
Cash flows from operating activities:	
Cash received from sales	\$ 5,000
Cash paid to suppliers for goods or services	-876
Net cash provided by operating activities	<u>\$ 4,124</u>
Net increase in cash and cash equivalents	\$ 4,124
Cash and cash equivalents beginning of year	<u>70,020</u>
Cash and Cash Equivalents End of Year	<u>\$ 74,144</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 4,124</u>
Net Cash Used by Operating Activities	<u>\$ 4,124</u>

Dunkerton Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2008

	Latch Key
Cash flows from operating activities:	
Cash received from services	\$ 4,822
Cash paid to employees for services	-6,401
Cash paid to suppliers for goods	-133
Net cash used by operating activities	<u>\$ -1,712</u>
Cash flows from non-capital financing activities	
Interfund payable from general fund	<u>\$ 1,712</u>
Net increase in cash and cash equivalents	\$ -
Cash and cash equivalents beginning of year	<u>-</u>
Cash and Cash Equivalents End of Year	<u>\$ -</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	<u>\$ -1,712</u>
Net Cash Used by Operating Activities	<u>\$ -1,712</u>

Dunkerton Community School District

**Statement of Fiduciary Net Assets
Fiduciary Funds**

Year Ended June 30, 2008

	<u>Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 12,416
Liabilities	
Accounts payable	\$ -
Net assets	
Reserved for scholarships	<u>\$ 12,416</u>

Dunkerton Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2008

	<u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,750
Interest income	495
Total additions	<u>\$ 2,245</u>
Deductions:	
Support services:	
Scholarships awarded	<u>\$ 1,494</u>
Change in net assets	\$ 751
Net assets beginning of year	<u>11,665</u>
Net Assets End of Year	<u>\$ 12,416</u>

Dunkerton Community School District

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Dunkerton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Dunkerton and Dewar, Iowa and portions of the predominately agricultural territories in Black Hawk and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Dunkerton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Dunkerton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition, Latch Key and Building Trades Class-House Funds. These funds are used to account for the food service, daycare and building trades class operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories -- Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets -- Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund and Building Trades Class equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable -- Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue -- Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities -- In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity -- In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets -- In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Due From and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	Enterprise Fund-Nutrition	\$ 27,694
General Fund	Enterprise Fund-Latch Key	\$ 1,712

The Nutrition Fund owes the Capital Projects Fund for equipment purchased in a prior year. The balance will be repaid when funds become available.

The Enterprise Fund-Latch Key owes the General Fund for salaries. The balance will be repaid when funds become available.

(4) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 811,132
Activity Fund	General Fund	7,500
		<u>\$ 818,632</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2007-08A	6/27/07	6/27/08	\$-	\$2,422	\$-	\$-	\$-

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2008.

The warrants bear interest and the available proceeds of the warrant are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in process	44,596	-	44,596	-
Total capital assets not being depreciated	\$ 54,596	\$ -	\$ 44,596	\$ 10,000
Capital assets being depreciated:				
Buildings	\$ 6,410,525	\$ 5,704	\$ -	\$ 6,416,229
Improvements other than buildings	264,628	73,192	-	337,820
Furniture and equipment	2,067,927	57,876	-	2,125,803
Total capital assets being depreciated	\$ 8,743,080	\$ 136,772	\$ -	\$ 8,879,852
Less accumulated depreciation for:				
Buildings	\$ 2,783,085	\$ 87,155	\$ -	\$ 2,870,240
Improvements other than buildings	248,482	4,373	-	252,855
Furniture and equipment	1,801,864	65,570	-	1,867,434
Total accumulated depreciation	\$ 4,833,431	\$ 157,098	\$ -	\$ 4,990,529
Total capital assets being depreciated, net	\$ 3,909,649	\$ -20,326	\$ -	\$ 3,889,323
Governmental Activities Capital Assets, Net	\$ 3,964,245	\$ -20,326	\$ -44,596	\$ 3,899,323
Business type activities:				
Nutrition Fund:				
Furniture and equipment	\$ 105,319	\$ -	\$ 1,714	\$ 103,605
Less accumulated depreciation	57,638	8,634	1,715	64,557
	\$ 47,681	\$ -8,634	\$ 1	\$ 39,048
Building Trades Class-House				
Equipment	\$ 2,500	\$ -	\$ -	\$ 2,500
Less accumulated depreciation	2,500	-	-	2,500
	\$ -	\$ -	\$ -	\$ -
Total Business Type Activities Capital Assets, Net	\$ 47,681	\$ -8,634	\$ 1	\$ 39,048

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$	104,651
Other		9,668

Support services:

Administration		2,660
Operation and maintenance of plant		4,081
Transportation		36,038

Total Depreciation Expense – Governmental Activities	\$	157,098
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Business Type Activities:

Food service operations	\$	8,634
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(7) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue Bonds	\$ 925,000	\$ 490,000	\$ 1,090,000	\$ 325,000	\$ 325,000
Total	\$ 925,000	\$ 490,000	\$ 1,090,000	\$ 325,000	\$ 325,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are equal to a cash payment of \$12,400. The District did not have any early retirement expenditures for the year ended June 30, 2008.

Revenue Bonds

Details of the District's June 30, 2008 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2009	3.66%	\$ 325,000	\$ 8,967	\$ 333,967

During the year ended June 30, 2008, the District made principal, interest and fees payments totaling \$1,141,575 under the agreements.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$154,277, \$124,058, and \$146,452, respectively, equal to the required contributions for each year.

(9) Risk Management

Dunkerton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$169,206 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The Enterprise Fund-Latch Key had a deficit unreserved fund balance of \$1,712 at June 30, 2008.

(12) Contingent Liability

The District has been budgeting approximately \$50,000 per year since 2006 for GO Bond payments when in fact there were no GO Bonds approved by District voters. All bonds outstanding were local option sales tax revenue bonds. The District may have to repay District voters for this debt service tax over assessment. The dollar amount thru June 30, 2008 is \$101,859 of collections made under a debt service levy that may have to be repaid.

Required Supplementary Information

Dunkerton Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 2,536,453	\$ 120,709
Intermediate sources	-	-
State sources	2,372,824	2,377
Federal sources	154,596	83,513
Total Receipts	<u>\$ 5,063,873</u>	<u>\$ 206,599</u>
Disbursements:		
Instruction	\$ 2,931,335	\$ 876
Support services	1,410,997	-
Non-instructional programs	-	223,131
Other expenditures	1,315,234	-
Total Disbursements	<u>\$ 5,657,566</u>	<u>\$ 224,007</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -593,693	\$ -17,408
Other financing sources, net	<u>490,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -103,693	\$ -17,408
Balances beginning of year	<u>1,509,896</u>	<u>143,054</u>
Balances End of Year	<u>\$ 1,406,203</u>	<u>\$ 125,646</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts Original	Variance
\$	2,657,162	\$ 2,629,968	\$ 27,194
	-	-	-
	2,375,201	2,406,861	-31,660
	238,109	238,407	-298
\$	5,270,472	\$ 5,275,236	\$ -4,764
\$	2,932,211	\$ 3,090,000	\$ 157,789
	1,410,997	1,434,000	23,003
	223,131	242,614	19,483
	1,315,234	683,657	-631,577
\$	5,881,573	\$ 5,450,271	\$ -431,302
\$	-611,101	\$ -175,035	\$ -436,066
	490,000	-	490,000
\$	-121,101	\$ -175,035	\$ 53,934
	1,652,950	1,563,085	89,865
\$	1,531,849	\$ 1,388,050	\$ 143,799

Dunkerton Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the other expenditures functions exceeded the amount budgeted.

Other Supplementary Information

Dunkerton Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2008

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 57,234	\$ 53,372	\$ 97,855	\$ 208,461
Receivables:				
Property Tax:				
Delinquent	1,955	-	1,189	3,144
Succeeding year	165,500	-	100,669	266,169
Total Assets	\$ 224,689	\$ 53,372	\$ 199,713	\$ 477,774
Liabilities & Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 1,295	\$ -	\$ 1,295
Deferred Revenue:				
Succeeding year property tax	165,500	-	100,669	266,169
Total Liabilities	\$ 165,500	\$ 1,295	\$ 100,669	\$ 267,464
Fund Equity:				
Unreserved fund balances	\$ 59,189	\$ 52,077	\$ 99,044	\$ 210,310
Total Liabilities and Fund Equity	\$ 224,689	\$ 53,372	\$ 199,713	\$ 477,774

Dunkerton Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds

Year Ended June 30, 2008

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local Sources:				
Local taxes	\$ 165,671	\$ -	\$ 100,770	\$ 266,441
Other	8,715	130,899	5,500	145,114
State	166	-	101	267
Total Revenues	\$ 174,552	\$ 130,899	\$ 106,371	\$ 411,822
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 39,955	\$ -	\$ -	\$ 39,955
Other instruction	-	117,906	-	117,906
Support Services:				
Operation and maintenance of plant services	28,763	-	59,743	88,506
Transportation services	7,346	-	37,988	45,334
Other Expenditures				
Facilities acquisition	-	-	4,453	4,453
Total Expenditures	\$ 76,064	\$ 117,906	\$ 102,184	\$ 296,154
Excess (deficiency) of revenues over (under) expenditures	\$ 98,488	\$ 12,993	\$ 4,187	\$ 115,668
Other Financing Sources (Uses):				
Operating transfers in	-	7,500	-	7,500
Excess (deficiency) of revenues and other financing sources				
Over (under) expenditures and other financing uses	\$ 98,488	\$ 20,493	\$ 4,187	\$ 123,168
Fund balances beginning of year	-39,299	31,584	94,857	87,142
Fund Balances End of Year	\$ 59,189	\$ 52,077	\$ 99,044	\$ 210,310

Dunkerton Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues and Inter-fund Transfers	Expenditures	Transfers	Balance End of Year
General Student Projects	\$ 2,872	\$ 3,222	\$ 759	\$ -	\$ 5,335
Speech	-	232	232	-	-
Spanish Club	631	-	-	-	631
Materials for Resale-Supplies	-	245	31	-	214
Materials for Resale-Industrial Arts	243	48	-	-	291
Athletics	2,109	55,686	58,008	7,500	7,287
Student Senate	556	3,935	3,836	-	655
Band-General	-1,109	2,339	2,282	-	-1,052
Band-Resale	-177	1,358	1,060	-	121
Pop Fund	3,918	4,637	5,849	-	2,709
Ewalu	136	1,465	1,579	-	22
Summer Recreation	6	6,270	6,601	-	-325
High school miscellaneous	518	-	40	-	478
Class of 2007	960	-	-	-	960
Class of 2008	23	745	225	-	543
Class of 2009	715	-	472	-	243
Class of 2010	363	-	-	-	363
Class of 2011	128	454	67	-	515
Class of 2012	380	225	67	-	538
Class of 2013	-	2,797	1,673	-	1,124
Library	549	6,614	6,066	-	1,097
Annual	-1,939	6,120	2,879	-	1,302
Dramatics	1,059	391	453	-	997
Cheerleaders	226	1,802	3,083	-	-1,055
PTO	430	-	200	-	230
Honor Society	333	1,199	1,351	-	181
Four Year Trip	7,936	13,852	6,717	-	15,071
Elementary Student Projects	2,182	1,223	2,149	-	1,256
Secondary Student Projects	136	1,036	2,234	-	-1,062
Bakeshop	2,030	1,082	792	-	2,320
DARE	355	-	-	-	355
Athletic Resale	200	2,316	2,112	-	404
Athletic Fundraiser	1,807	4,648	2,198	-	4,257
Science	-	2,182	2,358	-	-176

Dunkerton Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues and Inter-fund Transfers	Expenditures	Transfers	Balance End of Year
Music Boosters	\$ 2,328	\$ 3,223	\$ 2,516	\$ -	\$ 3,035
Interest	1,680	1,553	20	-	3,213
Total	\$ 31,584	\$ 130,899	\$ 1,117,906	\$ 7,500	\$ 52,077

Dunkerton Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Local Sources:				
Local tax	\$ 2,070,441	\$ 1,886,312	\$ 1,394,604	\$ 1,299,427
Tuition	201,595	239,939	263,552	205,640
Other	264,417	296,698	835,888	699,027
Intermediate sources	-	-	-	-
State sources	2,372,824	2,370,841	2,296,218	2,154,412
Federal sources	154,596	171,291	139,492	174,619
Total	\$ 2,063,873	\$ 4,965,081	\$ 4,929,754	\$ 4,533,125
Expenditures:				
Instruction:				
Regular instruction	\$ 1,989,474	\$ 1,925,337	\$ 1,845,617	\$ 1,765,305
Special instruction	448,878	291,846	331,681	424,909
Other instruction	492,983	530,123	478,949	351,550
Support services:				
Student services	109,809	85,424	85,233	122,143
Instructional staff services	125,191	153,019	123,073	112,532
Administration services	495,673	484,621	484,893	496,468
Operation and maintenance of plant services	482,796	442,855	382,826	367,952
Transportation services	197,528	182,233	176,020	133,758
Non-instructional programs	-	-	-	15,583
Other expenditures:				
Facilities acquisition	4,453	40,749	-	8,572
Long-term debt:				
Principal	1,090,000	335,000	315,000	327,281
Interest and other charges	51,575	69,614	87,214	113,458
AEA flow-through	169,206	162,278	151,114	147,628
Total	\$ 5,657,566	\$ 4,703,099	\$ 4,461,620	\$ 4,387,139

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Dunkerton Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 5, 2009. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Dunkerton Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Dunkerton Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Dunkerton Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Dunkerton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Dunkerton Community School District's financial statements that is more inconsequential will not be prevented or detected by Dunkerton Community School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Dunkerton Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

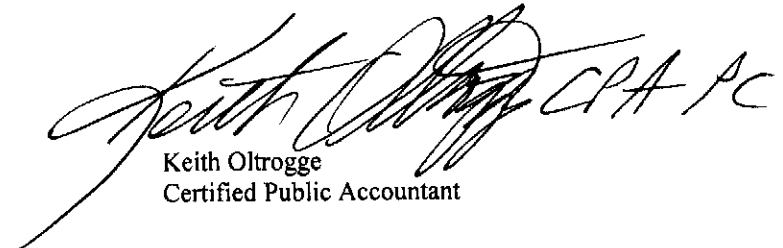
As part of obtaining reasonable assurance about whether Dunkerton Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Dunkerton Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Dunkerton Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dunkerton Community School District and other parties to whom Dunkerton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dunkerton Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

February 5, 2009

Dunkerton Community School District

Schedule of Findings

Year Ended June 30, 2008

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-08 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Dunkerton Community School District

Schedule of Findings

Year Ended June 30, 2008

Part II - Other Findings Related to Statutory Reporting:

- II-A-08 Certified Budget – Expenditures for the year ended June 30, 2008 exceeded the certified budget amounts in the other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

- II-B-08 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions – No business transactions between the District and District officials or employees were noted.

- II-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

- II-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- II-G-08 Certified Enrollment – No transactions requiring Board approval which had not been approved by the Board were noted.

- II-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- II-I-08 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

- II-J-08 Financial Condition – Activity Account – The Student Activity Account had five deficit accounts at June 30, 2008.

Recommendation – The District should monitor this account and investigate alternatives to eliminate these deficits in order to return the account to a sound financial condition.

Response – We are working on this.

Conclusion – Response accepted.

II-K-08 Financial Condition – Enterprise Fund Latch Key – The District had an undesignated Enterprise-Latch Key Fund deficit of \$1,712 at June 30, 2008.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate this deficit in order to return the District to a sound financial condition.

Response – The Latch Key deficit was created by expenditures exceeding revenues. The District should be able to return the fund to a positive position from future revenues.

Conclusion – Response accepted.

II-L-08 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The District will obtain and retain images of both the front and back of cancelled checks as required.

Conclusion – Response accepted.

II-M-08 Budgeting Error – The District has been budgeting a partial debt service levy for GO Bonds in its annual budget since June 30, 2006. The 2001 bonds are in fact Local Option Sales Tax Revenue Bonds and a tax levy for GO Bonds cannot be made without voter approval of the taxpayers.

Recommendation – It should be determined by the District and its bond council if a refund from past budget levys is due the taxpayers. Future budgets should be properly prepared.

Response – We are working on this.

Conclusion – Response accepted.